



SEC

05039154

MISSION

Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

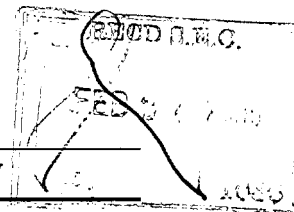
## OMB APPROVAL

OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response..... 12.00

## SEC FILE NUMBER

8-53105

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Bannockburn Partners, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

140 Broadway, 26th Floor

(No. and Street)

New York,

(City)

NY

(State)

10005

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gregory O'Connor212-809-2070

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

David Tarlow & Co., C.P.A., P.C. d/b/a Tarlow & Co., C.P.A.'s

(Name - if individual, state last, first, middle name)

7 Penn Plaza, Suite 804

(Address)

New York,

(City)

NY

(State)

THOMSON  
FINANCIAL 1001

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

RECD S.E.O.

FEB 24 2005

**FOR OFFICIAL USE ONLY**

1083

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

3/18/05 55

# OATH OR AFFIRMATION

I, Gregory O'Connor, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bannockburn Partners, LLC, as of December 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

JULIETTE NGOC TRAN  
NOTARY PUBLIC - STATE OF NEW YORK  
NO. 01-TR6064825

CLERKED IN QUEENS COUNTY  
MY COMMISSION EXPIRES 10-01-05

Notary Public

Gregory O'Connor  
Signature

Managing Partner  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Stockholders' Equity~~ Changes in Members' Capital.
- ☒ (e) Statement of ~~Changes in Stockholders' Equity~~ Cash Flows.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



TARLOW & CO., C.P.A.'S  
A PROFESSIONAL CORPORATION

7 Penn Plaza, Suite 804, New York, N.Y. 10001 Tel. 212-697-8540 Fax. 212-573-6805

**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
Bannockburn Partners, LLC

We have audited the accompanying statement of financial condition of Bannockburn Partners, LLC, as of December 31, 2004, and the related statements of income, changes in members' capital and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bannockburn Partners, LLC as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Tarlow & Co., C.P.A.'s*

New York, New York  
February 11, 2005

## BANNOCKBURN PARTNERS, LLC

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2004

ASSETS

|   |    |            |                   |
|---|----|------------|-------------------|
| Cash  | \$ | 15,030     |                   |
| Receivable from broker - clearance account              |    | 90,000     |                   |
| Commission receivable                                   |    | 19,191     |                   |
| Property and equipment, net of accumulated depreciation |    | 1,638      |                   |
| Restricted cash deposit                                 |    | 15,022     |                   |
| Other assets  |    | <u>131</u> |                   |
| Total assets  |    |            | <u>\$ 141,012</u> |

LIABILITIES AND MEMBERS' CAPITAL

|  |    |                |                   |
|--|----|----------------|-------------------|
| Accounts payable and accrued expenses  | \$ | 24,549         |                   |
| Members' capital                       |    | <u>116,463</u> |                   |
| Total liabilities and members' capital |    |                | <u>\$ 141,012</u> |

## BANNOCKBURN PARTNERS, LLC

## STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2004

**Revenue**

Commission income \$ 284,229

Investment income 524

Total revenue \$ 284,753

**Expense**

Guaranteed payments to partners 145,242

Commission expense 8,780

Exchange fees and clearance charges 64,540

Consulting and professional fees 36,823

Quote system 10,720

Rent 40,842

Telephone and internet 12,224

Other 21,815Total expenses 340,986

Loss before provision for income taxes (56,233)

Provision for income taxes -Net loss \$ (56,233)

**BANNOCKBURN PARTNERS, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' CAPITAL**  
**YEAR ENDED DECEMBER 31, 2004**

|                                 |                   |
|---------------------------------|-------------------|
| Balance as of December 31, 2003 | \$ 112,696        |
| Capital contributions           | 135,000           |
| Net loss                        | (56,233)          |
| Capital withdrawals             | <u>(75,000)</u>   |
| Balance as of December 31, 2004 | <u>\$ 116,463</u> |

The accompanying notes are an integral part of these financial statements.

## BANNOCKBURN PARTNERS, LLC

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

**Cash flows from operating activities**

|   |              |             |
|---|--------------|-------------|
| Net loss  | \$ (56,233)  |             |
| Adjustment to reconcile net loss to net cash used<br>by operating activities: |              |             |
| Depreciation  | 410          |             |
| (Increase) decrease in:   |              |             |
| Receivable from broker - clearance account                                    | 23,810       |             |
| Commission receivable   | (12,050)     |             |
| Other current assets  | 2,775        |             |
| Restricted cash deposit   | (15,022)     |             |
| Security deposits   | 2,644        |             |
| Increase (decrease) in:   |              |             |
| Accounts payable and accrued expenses   | <u>8,942</u> |             |
| Net cash used by operating activities   |              | \$ (44,724) |

**Cash flows from investing activities**

|                                       |                |         |
|---------------------------------------|----------------|---------|
| Purchase of property and equipment    | <u>(2,048)</u> |         |
| Net cash used by investing activities |                | (2,048) |

**Cash flows from financing activities**

|   |                 |                  |
|---|-----------------|------------------|
| Capital contributions                     | 135,000         |                  |
| Capital withdrawals                       | <u>(75,000)</u> |                  |
| Net cash provided by financing activities |                 | <u>60,000</u>    |
| Net increase in cash                      |                 | 13,228           |
| Cash at beginning of year                 |                 | <u>1,802</u>     |
| Cash at end of year                       |                 | <u>\$ 15,030</u> |

**Supplemental disclosures of cash flow information:**

|                                |    |   |
|--------------------------------|----|---|
| Cash paid during the year for: |    |   |
| Interest                       | \$ | - |
| Income taxes                   | \$ | - |

**BANNOCKBURN PARTNERS, LLC****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2004****NOTE 1 - ORGANIZATION**

Bannockburn Partners, LLC (the "Company") was formed on June 15, 2000 under the laws of the State of New York. Under New York State Law, members have limited direct liability for company operations. The Company has been registered, since June 22, 2001, to operate as a broker-dealer in securities with the United States Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers, Inc. (the "NASD").

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Cash Equivalents**

The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Security transactions**

The Company records security transactions and commission revenue and expenses on a trade-date basis. Securities owned are stated at market value with unrealized gains and losses reflected in income.

**Property and equipment**

Property and equipment are stated at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the respective assets.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - RECEIVABLE FROM CLEARING BROKER/SECURITIES HELD AT BROKER**

The Company conducts business with one clearing broker on behalf of its customers. The Company earns commissions as an introducing broker for the transactions of its customers. The clearing and depository operations for the Company's customer accounts are performed by its clearing broker pursuant to a clearance agreement.



**BANNOCKBURN PARTNERS, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**NOTE 4 - OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK**

In the normal course of business, customer security transactions are introduced to and cleared through its clearing broker. Pursuant to an agreement between the Company and its clearing broker, the clearing broker has the right to charge the Company for unsecured losses that result from a customer's failure to complete such transactions.

The Company does not anticipate nonperformance by customers in the above situations. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of its customers, its clearing broker and financial institutions with which it conducts business.

**NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Company has an operating lease for office space expiring August 31, 2009. Future minimum lease payments are as follows:

Year ending December 31,

|      |                  |
|------|------------------|
| 2005 | \$ 56,747        |
| 2006 | 58,987           |
| 2007 | 61,227           |
| 2008 | 63,467           |
| 2009 | <u>43,307</u>    |
|      | <u>\$283,735</u> |

As part of the sublease agreement, signed as of June 17, 2004, the Company is required to maintain a security deposit in the amount of \$15,000 with the overtenant. The Company has established a \$15,000 letter of credit through JP Morgan Chase Bank. As a condition of the letter of credit, the loan must be fully secured by a JP Morgan Chase Bank deposit account. This \$15,000 deposit is the restricted cash deposit as reflected on the statement of financial condition. This restricted cash deposit is included with the other non-allowable assets in the computation of net capital.

**BANNOCKBURN PARTNERS, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**NOTE 6 - NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. As of December 31, 2004, the Company had net capital of \$99,672, which was \$94,672 more than its required minimum net capital of \$5,000.

**NOTE 7 - RESERVE REQUIREMENT PURSUANT TO RULE 15c3-3**

All customer transactions are cleared through a clearing broker on a fully disclosed basis. Therefore, the company is not required to maintain a separate bank account for the exclusive benefit of customers or to segregate customer securities in accordance with Rule 15c-3-3 of the Securities Exchange Commission.

**NOTE 8 - INCOME TAXES**

No provision for federal and state income taxes has been made as the Company was formed as a limited liability company which flows the items of income or loss through to the members' individual income tax returns. As such, the Company is not liable for federal and state income taxes. The Company is subject to local income taxes.

## **SUPPLEMENTARY INFORMATION**

## BANNOCKBURN PARTNERS, LLC

## SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM  
NET CAPITAL RULE 15c3-1

DECEMBER 31, 2004

|  |                  |                  |
|--|------------------|------------------|
| Members' Capital   |                  | \$ 116,463       |
| Debits:  |                  |                  |
| Non-allowable assets   |                  |                  |
| Property and equipment, net of accumulated depreciation  | \$ 1,638         |                  |
| Restricted cash deposit  | 15,022           |                  |
| Other assets   | <u>131</u>       |                  |
| Total debits   |                  | <u>16,791</u>    |
| Net capital per rule 15c3-1  |                  | 99,672           |
| Minimum net capital requirement - 6-2/3% of aggregate indebtedness of<br>\$24,549 or \$5,000, whichever is greater |                  | <u>5,000</u>     |
| Excess net capital   |                  | <u>\$ 94,672</u> |
| <b><u>Aggregate Indebtedness</u></b>   |                  |                  |
| Accounts payable and accrued expenses  | <u>\$ 24,549</u> |                  |
| Total aggregate indebtedness   |                  | <u>\$ 24,549</u> |
| Ratio of aggregate indebtedness to net capital   |                  | <u>0.25 to 1</u> |

No material difference exists between the above computation and the computation included in the Company's corresponding unaudited Form X-17-A-5 Part IIA filing.

**REPORT ON INTERNAL CONTROL STRUCTURE**



TARLOW & CO., C.P.A.'S  
A PROFESSIONAL CORPORATION

---

7 Penn Plaza, Suite 804, New York, N.Y. 10001 Tel. 212-697-8540 Fax. 212-573-6805

To The Members of  
Bannockburn Partners, LLC

In planning and performing our audit of the financial statements and all supplemental schedules of Bannockburn Partners, LLC (the "Company"), for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computation of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of the Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004, to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, The New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Tarlow & Co., C.P.A.'s*

New York, New York  
February 11, 2005